

From comments made recently by Secretary of Defense Weinberger and others, we know that the Administration is weighing the possibility of selling certain offensive equipment to the Saudi Arabians for their yet to be delivered F-15 planes.

TO AUTH. REASON(S)

What will be the delivery schedule on these planes?

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2. This discussion has centered on various pieces of equipment, such as:

- AIM-9L missiles - sophisticated missiles that are more advanced than their side-winder predecessors. (able to be fired from any angle)
- Multiple ejection bomb racks - bomb racks which greatly increase the planes' offensive capability.
- Fast packs - fuel tanks which would give the planes range to hit most targets in Israel.
- Air tankers.

What is the likelihood of the Saudis being sold all of these items? Any combination of these items? Any other items?

3. If these sales are made, what quid pro quo will be obtained by the U.S.? Will there be a willingness to allow American troops to be stationed in Saudi Arabia? Will there be covert support for President Sadat? Will the Saudis drop their objections to the U.S. filling its strategic petroleum reserves? Will there be true price moderation on the price of crude oil? Will the Saudis join the Camp David peace process? Will the Saudis display the F-15 fleet along the Persian Gulf, not inland nor near the Gulf of Aqaba?

4. If the Saudis do not get this equipment will we see another oil embargo?

5. President Reagan has not hesitated to call the PLO terrorists. The PLO maintains an office in Washington. Will there be any attempts to close this office?

6. If the Saudis are to receive equipment to make their F-15 planes more offensive, will Israel be assisted in guarding against this threat?

7. In view of the Reagan Administration's aim to cut back on foreign aid spending, would not a lifting of U.S. restrictions on Israeli military export sales be the most efficient way to lessen Israel's dependence on our aid?

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Q: If these sales are made, what quid pro quo will be obtained by the U.S.? Will there be a willingness to allow American troops to be stationed in Saudi Arabia? Will there be covert support for President Sadat? Will the Saudis drop their objections to the U.S. filling its strategic petroleum reserves? Will there be true price moderation on the price of crude oil? Will the Saudis join the Camp David peace process? Will the Saudis display the F-15 fleet along the Persian Gulf, not inland nor near the Gulf of Aqaba?

A: The sales of this equipment will contribute to an important and long-standing U.S. objective -- the security of Saudi Arabia.

By helping to assure the Saudis' ability to defend themselves, the sales will strengthen their confidence in us and help to build a sense of common interests. As we seek to develop those interests in support of specific issues, we must continue to recognize that preserving Saudi Arabia's own stability requires the Saudi Government to maintain a posture of independence from US policy.

Saudi Arabia supported the U.S. Middle East peace effort up to Sadat's Jerusalem trip and continued to do so, though with misgivings, through the Camp David Summit.

Although Saudi Arabia has not supported the Camp David process, it has consistently reaffirmed its support for a just and comprehensive Middle East peace settlement. The Saudi desire for peace reflects in part deep concern that continued Arab-Israeli tension promotes Soviet and radical influences in the area. As we continue to seek to bring the Saudis into a more constructive posture in the peace process, it is important to sustain their confidence in

other aspects of US policy including our willingness to meet Saudi defense requirements.

Saudi Arabia has not publicly supported the concept of a permanent US force presence in the area. It has, however,

- indicated appreciation of a strong US "over-the horizon" presence;
- sought an extensive US military supply and training program;
- requested deployment of AWACS at the outbreak of the Iraq/Iran war; and
- been strongly supportive of Oman and Bahrain, which provide our forces access.

The Saudis have long opposed the spread of Soviet influence generally and in the Middle East in particular. They helped get the Soviets out of Egypt, Sudan, and Somalia. In Yemen the Saudis have worked with us to support the economic and defense needs of North Yemen, threatened by Marxist, Soviet-supported South Yemen. The Saudis have taken the initiative in bolstering Pakistan and welcoming our cooperation in this effort. The close US-Saudi relationship has encouraged the smaller Gulf states from Kuwait to Oman to cooperate with the United States.

Saudi Arabia is critical to our economic objectives. While neither we nor they see benefit in direct trade-offs, we have long urged their cooperation in energy and financial matters and have received it to a remarkable degree.

Over the past years, Saudi Arabia has consistently maintained significantly higher oil production than its preferred level, most recently in response to supply shortages resulting from the Iraq/Iran war.

Saudi Arabia has been a price moderate within OPEC. For extended periods--as at present--it has priced its crude well below the general OPEC level. One could interpret this as subsidizing Western purchases of oil.

These production and pricing policies are increasingly criticized in Saudi Arabia. It is obvious that the Saudis will be more responsive when we demonstrate sustained concern for their national defense.

The Saudis currently devote a high percentage (almost 10%) of their GNP to foreign assistance. (The US percentage is 0.2%.) This policy supports many of our own security and development objectives in the immediate region and globally. Saudi assistance has been particularly important to Morocco, the Sudan, and Jordan. In the coming months we will need to urge even greater Saudi lending, particularly toward key nations such as Turkey and Pakistan.

The Saudis have consistently supported the dollar. Currently a large proportion of their more than \$100 billion in foreign official assets is in dollar instruments.

We need a strong overall relationship to sustain a general Saudi attitude of cooperation in these areas.

Q: If the Saudis do not get this equipment will we see another oil embargo?

A: There would be substantial negative consequences in refusing to provide the F-15 enhancement items. It would be out of character, however, for Saudi Arabia to retaliate in some direct overt fashion against the U.S. should these sales be turned down. We believe the Saudi reaction, however, would be one of deep disappointment and disillusionment. Without confidence in the reliability of our commitment to their security, the Saudis may well lack the political will to take difficult decisions regarding regional security, oil production and pricing policy, international financial cooperation, and Middle East peace.

Failure to supply this equipment would be seen as a rebuff of the Saudi regime not only in Saudi Arabia itself, but in the wider Arab world. This could damage the position of the royal family and Saudi Arabia's ability to pursue policies in consonance with our own. It would diminish the expectations other Arab states might hold out for themselves as a consequence of closer relations with us.

The Saudis have already indicated they might cancel the F-15 sale and turn to the French should we decline to sell these items. They have recently concluded a \$3.5 billion naval buy from the French, a clear political signal of future intentions should we prove ourselves unreliable as a security

partner. (There has even been talk of a possible Saudi purchase of French Mirage 4000 fighter aircraft.) The loss of our leading military supply and training relationship in Saudi Arabia would constitute serious damage to one of our most important assets in achieving our regional security objectives.

~~QUESTION TAKEN AT FEBRUARY 13 NOON BRIEFING~~

Q. Will the Department be doing anything about closing the PLO office?

A. By way of background, the PLO Information Office, which was opened in 1978, listed the Palestine Liberation Organization as its "foreign principal" and has been registered with the Justice Department, in accord with the Foreign Agents Registration Act as amended. As long as the office regularly files reports on its activities as an agent of a foreign organization with the Justice Department, complies with all other relevant laws, and is staffed by Americans or legally resident aliens, it is entitled to operate under the protection the First Amendment provides. Because of our law, there is no legal way to close the Palestine Information Office in Washington.

The State Department has not dealt and will not deal with officials of the Palestine Information Office in accord with long-standing U.S. policy against recognition of or negotiation with the PLO so long as the PLO does not recognize Israel's right to exist and does not accept Security Council Resolutions 242 and 338.

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~~TOP SECRET~~

Q: If the Saudis are to receive equipment to make their F-15 planes more offensive, will Israel be assisted in guarding against this threat?

A: We recognize that the equipment we propose to sell to Saudi Arabia will provide the Saudis with additional military capability. While it is not possible to rule out absolutely the use of Saudi F-15s against Israel, an objective analysis would rate the risks as low. The Administration has requested nearly \$2.2 billion in assistance for Israel in FY 1982, of which \$1.4 billion is FMS credit. In addition, we have told Israel that we now propose to provide an additional \$300 million in FMS credits each in FYs '83 and '84 for the purchase of aircraft or other equipment Israel may prefer. This is part of our ongoing dialogue with Israel about its security needs in the 1980's.

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Q: In view of the Reagan Administration's aim to cut back on foreign aid spending, would not a lifting of U.S. restrictions on Israeli military export sales be the most efficient way to lessen Israel's dependence on our aid?

A: An economically viable defense industry in Israel is extremely important to Israel's security. In this connection, the Israelis attach great importance to the U.S. attitude toward licensing exports of Israeli military equipment containing U.S. components, such as the KFIR fighter. We intend to be as forthcoming as we can to Israeli requests to seek such sales.

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